

Message Text

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PAGE 01 STATE 084139
ORIGIN EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 AGRE-00 AID-05
CEA-01 CIAE-00 COME-00 FRB-01 INR-10 NSAE-00
SP-02 STR-07 TRSE-00 LAB-04 SIL-01 OMB-01 PA-02
/081 R

DRAFTED BY EB/ORF/OFD-JFERCH:ML
APPROVED BY EB/ORF/OFD - JOHN FERCH
USDA - KHARRISON
EUR/CAN - GMONROE
EA/ANP -WGALLAGHER
EA/ANP - TWAJDA

-----077761 012029Z /70

R 010339Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY CANBERRA
AMEMBASSY OTTAWA
AMEMBASSY WELLINGTON
INFO AMEMBASSY MEXICO
AMEMBASSY BRUSSELS

UNCLAS STATE 084139

USEEC

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: CCC SALE OF NON-FAT DRIED MILK (NFDM) FOR NON-
COMMERCIAL USES
REF: STATE 57579

1. CCC ON MARCH 30 SIGNED ITS FIRST CONTRACT FOR THE SALE
OF NFDM UNDER THE PROGRAM OUTLINED IN REFERENCE TELEGRAM.
THE SALE WAS TO THE MEXICAN GOVERNMENT ENTITY CONASUPO FOR
30,000 TONS. CONASUPO WILL DISTRIBUTE THE RECONSTITUTED
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MILK AT HIGHLY SUBSIDIZED PRICES THROUGH ITS RETAIL OUTLETS
IN MEXICO'S POORER AREAS.

2. PRIOR TO CONCLUSION OF THIS CONTRACT, THE DEPARTMENT
ADVISED THE EMBASSIES OF CANADA, AUSTRALIA AND NEW ZEALAND,
AND THE COMMISSION OF THE EUROPEAN COMMUNITIES OF THE IM-
PENDING SALE AND INVITED THEIR WRITTEN COMMENTS. ALL EX-

CEPT THE EUROPEAN COMMUNITY RESPONDED. THEY OBJECTED TO THE PROPOSED SALE AND REQUESTED THAT WE CONSULT FORMALLY WITH THEM AND DISCUSS THE MATTER IN THE FAO CONSULTATIVE SUBCOMMITTEE ON SURPLUS DISPOSAL (CSD). ALL ASSERTED THAT THE TRANSACTION WOULD CONSTITUTE AN UNJUSTIFIED DISPLACEMENT OF TRADITIONAL SUPPLIERS IN THE MEXICAN NFDN MARKET.

3. IN RESPONSE TO THEIR REQUEST FOR CONSULTATIONS,

REPRESENTATIVES OF STATE, USDA AND STR MET WITH EMBASSY REPRESENTATIVES JOINTLY ON MARCH 29. FULL DETAILS OF THE PROPOSED TRANSACTION WERE PROVIDED:

A) CCC ASSISTED THE MEXICAN GOVERNMENT IN ESTABLISHING THE CONASUPO SUBSIDIZED SALES PROGRAM IN 1962. FROM 1962 THROUGH 1972 CCC WAS THE SOLE OR DOMINANT SUPPLIER OF NFDN TO CONASUPO. CCC'S SALES WERE REDUCED AFTER 1972 WHEN U.S. SUPPLIES SHRANK. CCC THUS CONSIDERS THAT IT IS NOT ONLY A TRADITIONAL BUT A FOUNDING SUPPLIER TO CONASUPO AND, THUS, CANNOT ACCEPT THE ASSERTION THAT AN EXPANDED SALES PROGRAM WOULD BE UNFAIR TO TRADITIONAL SUPPLIERS. NEW ZEALAND HAS SOLD NFDN ONLY TWICE TO CONASUPO, IN 1974 AND 1977. AUSTRALIA HAS HAD ONLY THREE SALES. CANADA HAS BEEN THE LARGEST SUPPLIER SINCE THE MID 1970'S.

B) WITH REGARD TO DISPLACEMENT, CONASUPO IS EXPANDING
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ITS OPERATIONS FROM 60,000 TONS TO 90,000 TONS A YEAR. IT VERY RECENTLY PURCHASED FOUR ADDITIONAL RECONSTITUTING PLANTS. THE PROPOSED CCC SALE THUS IS CLEARLY ADDITIONAL TO HISTORIC CONASUPO IMPORT LEVELS. CONASUPO HAS GIVEN WRITTEN ASSURANCES THAT THE NFDN WILL NOT BE USED FOR COMMERCIAL PURPOSES.

C) THE US CONSIDERS THAT THE PROPOSED TRANSACTION FALLS WITHIN CATEGORY 14 OF THE FAO PRINCIPLES OF SURPLUS DISPOSAL AND CONSULTATIVE OBLIGATIONS AND THEREFORE DOES NOT HAVE TO BE DISCUSSED IN THE COMMITTEE ON SURPLUS DISPOSAL. ARTICLE 14 TRANSACTIONS ARE "SALES IN WHICH, AS A RESULT OF GOVERNMENT INTERVENTION ... PRICES ARE LOWER THAN PREVAILING WORLD PRICES ...". SIMILAR TRANSACTIONS BY THE EC AND CANADA HAVE NOT BEEN TAKEN TO THE CSD AND THOSE COUNTRIES HAVE NOT CONSULTED WITH THE US PRIOR TO CONTRACTING SALES TO CONASUPO.

D) FINALLY, THE SALES PRICE OFFERED BY CCC OF DOLLARS 425 PER METRIC TON IS NOT SIGNIFICANTLY BELOW PRICES RECENTLY QUOTED BY OTHER EXPORTERS. CANADA RECENTLY QUOTED CONASUPO A PRICE OF DOLLARS 460. AUSTRALIA IN

TRANSACTIONS ELSEWHERE HAS QUOTED DOLLARS 450. FURTHERMORE,
THE PRICE IS SIGNIFICANTLY ABOVE THE DOLLARS 350 MINIMUM
SET IN THE GATT AGREEMENT, TO WHICH THE US IS NOT A PARTY.

4. THE MEETING CONCLUDED WITH THE US ANNOUNCING THAT BI-
LATERAL CONSULTATIONS CAN BE HELD AS REQUESTED BUT THAT
THE CONASUPO TRANSACTION WOULD NOT BE HELD UP PENDING SUCH
CONSULTATIONS. THE FOLLOWING DAY EMBASSIES WERE INFORMED

THAT THE USG HAD DECIDED TO GO AHEAD WITH THE CONASUPO
CONTRACT.

5. THIS MESSAGE IS FOR THE EMBASSIES' INFORMATION AND
POSSIBLE USE IF THE HOST GOVERNMENT RAISES THE ISSUE. COOPER
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ORIGIN EB-08

INFO OCT-01 ISO-00 /009 R

66011

DRAFTED BY:EB/ORF/OFJ:JFERCH

APPROVED BY:EB/ORF/OFJ:JOHN FERCH

-----117474 051119Z /21

R 050530Z APR 78

FM SECSTATE WASHDC

INFO USMISSION GENEVA 0197

UNCLAS STATE 084139

FOR USMTN

FOLLOWING REPEAT STATE 084139 SENT ACTION CANBERRA OTTAWA WELLINGTON
MEXICO BRUSSELS APR 01.
QUOTE UNCLAS STATE 084139

USEEC

E.O. 11652: N/A

TAGS: ETRD, EAGR

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WRITTEN ASSURANCES THAT THE NFDM WILL NOT BE USED FOR
COMMERCIAL PURPOSES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, NONFAT DRIED MILK
Control Number: n/a
Copy: SINGLE
Draft Date: 01 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE084139
Document Source: CORE
Document Unique ID: 00
Drafter: JFERCH:ML
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780142-0812
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804103/aaaadjkn.tel
Line Count: 262
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8b6235a6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 57579
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2824643
Secure: OPEN
Status: NATIVE
Subject: CCC SALE OF NON-FAT DRIED MILK (NFDM) FOR NON- COMMERCIAL USES
TAGS: ETRD, EAGR, AS
To: CANBERRA OTTAWA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8b6235a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014